**Invitation for Market Consultation (Sounding)**

**Regarding the Government Financial Management Information System of the Ministry of Finance of the Republic of Armenia**

**Date: July 2, 2024**

**Introduction**

The Ministry of Finance (MoF) of the Republic of Armenia plans to initiate a procurement process for acquiring the Government Financial Management Information System (hereinafter referred to as the System). The main objective of the System is to contribute to the digital transformation of public administration in Armenia. The overall goal of implementing the System is to enhance the efficiency, quality, and transparency of public service delivery through the consolidation and mutual integration of comprehensive financial information of public sector bodies and organizations, supporting public sector reforms and financial system accounting and accountability functions.
The extensive goal of the GFMIS System includes not only improving operational efficiency within government financial management but also ensuring real-time access to financial data, which will enable better decision-making and strategic planning. The system will streamline budgeting processes, expenditure management, and financial reporting. Moreover, it will foster a culture of accountability and transparency by providing public access to financial information, thereby increasing public trust in government operations. Through these enhancements, the GFMIS System aims to contribute significantly to the effective governance and sustainable economic development of the Republic of Armenia․

**Key outcomes of this project is the focus on the following aspects:**

* Facilitating effective decision-making at strategic and operational levels,
* Improving transparency and accountability, including government service delivery,
* Ensuring proper control,
* Enhancing the quality of reporting and accountability, including a complete transition to the accrual method.
* Establishing clear and accountable financial management practices within public sector.
* More efficient management of budgeting, expenditure, and financial reporting processes.
* Sustainable Economic Development: Contributing to the overall sustainable economic development of Armenia through effective financial management and governance.

The information used by public sector managers is generated when the bodies and agencies responsible for financial management processes perform their functions, such as budget preparation, budget execution, revenue collection, etc. The information management system should ensure the efficient processing of transactions, the application of necessary controls, and the collection of timely and reliable information required for decision-making.

**System Requirements: Functions of the Information System and Bodies Involved**

|  |  |  |
| --- | --- | --- |
| **PFM result** | **PMF system functionalities** | **Bodies** |
| **Reliable Budget Management** |  Consolidated management of the budget (expenses, revenues, other receipts), monitoring, and accountability  | The Ministry of Finance, Central Bank. |
| **Efficient Resource Collection** |  Tax and customs administration (not part of this system and requires information exchange), coordination of support programs, debtor management  | The State Revenue Committee, Ministry of Finance, Central Bank, international organizations. |
| **Efficient Resource Allocation** |  Program budgeting, linkage with strategic planning, monitoring, cash flow management  | Budgetary Bodies, Prime Minister's Office, Ministry of Finance. |
| **Effective Use of Resources** |  Procurement (not part of this system and requires information exchange), contract management, salary, cash management, asset management, debt management  |  Budgetary Bodies, Ministry of Finance, suppliers, Public Service Office, State Property Management Committee. |
| **Accountability and Transparency** |  Unified accounting, financial and budgetary reporting, preparation of consolidated reports  | Budgetary Bodies, Ministry of Finance, National Assembly. |
| **Audit** |  Internal and external audit  | Budgetary Bodies, Ministry of Finance, Audit Chamber, internal audit harmonization structure. |

**System Requirements: Non-Functional requirements**

1. The System should be hardware agnostic - in order to permit MoF to select the cost-optimized IT infrastructure based on local market availability and requirements.
Process is expected to be the following: suppliers must specify the requirements for the HW / OS / DB, as well as other technical parameters. MoF should have the possibility to select either the Local IT Datacenter provider or Cloud provider. The System should be compatible with all known scenarios, including Hybrid Cloud scenario.
2. The System should have incorporated Security module(s) with SSO and Centralized control over the access to each and any module.
3. The System UI should be WEB based - available in the latest known browsers.
4. The System should have available APIs for most of functionalities - in order to provide flexibility of integration and automation. APIs should be documented and provided as part of the solution. API authentication should be OAuth 2.0 or similar.
5. Encryption should be E2E in the solution, including flow between apps and database, and information in the database.
6. About Security module - if bidder has different considerations, or integration with other Security systems, they should be included in the proposal with necessary documentation and explanation and should be visible as separate optional element.
7. System and all its modules should work in High Availability mode.
8. Optionally bidders should provide Disaster recovery solution(s) for continuous work of the System.
9. Documentation on how to configure and support the System should be part of the delivery.
10. High level design and Low-level design must be included.
11. Migration from existing modules and/or processes to the System should be considered as part of the project.
12. Parallel work (new system/modules and current systems processes) during several weeks or months should be considered.

**MoF is considering 2 types of Platforms:**

**1. Ready solution with necessary customizations.**

Ready solution is required solution that includes the necessary modules and can be customized to comply with Armenian regulations and requirements.

The platform must demonstrate a proven track record of successful implementation in similar projects.

Integration with the existing Procurement Module (Electronic Procurement System) is a critical component of this project.

Prospective suppliers must provide detailed information on at least three similar projects completed in the last five years.

**2. Custom-made solution.**

All main modules of the GFMIS, except the Procurement Module (Electronic Procurement System), should be developed and deployed within the framework of the GFMIS. The latter will be developed and implemented within a separate technical assignment. The MoF also intends to phase in the modular acquisition with the following priorities:

* **Phase 1:** Public Sector Accounting and Budget Execution (Treasury functions).
* **Phase 2:** Budgeting.
* **Phase 3:** Other supporting modules.

The GFMIS should represent a group of interconnected functional modules (software package). The software package should be developed with open standards (open source), and the source code should belong to the Customer.

The comprehensive functional preliminary hierarchy of the GFMIS is depicted in the following diagram.



**Purpose of Preliminary Market Sounding (Consultations)**

The purpose of market sounding is to gather insights and opinions from potential Service Providers (vendors) and industry experts regarding the feasibility of the GFMIS project and the strategy to be applied. The aim is to explore innovative solutions and identify potential challenges to ensure the project's success.

Through market communication, the MoF of Armenia aims to determine:

* The interest of potential Service Providers (vendors) in participating in the upcoming tender,
* Possible technical and capacity-related risks and limitations that could impede project implementation,
* Opinions regarding the timing of the project, with potential phases and requirements for each phase.
* Opinions on the project scope,
* Opinions on the procurement strategy,
* Opinions on the pre-qualification criteria,
* Opinions on the completeness, relevance, and applicability of existing documents.

**Table 1: Q&A Template**

| **Question** | **Answer** |
| --- | --- |
| 1. What requirements set forth in the draft Terms of Reference may limit your company's willingness to participate in the tender? |  |
| 2. Do you have any comments/suggestions on the content of the draft Terms of reference? |  |
| 3. Do you have any comments/suggestions on the structure of the modules? |  |
| 4. What technological innovations do you suggest including in the terms of reference? |  |
| 5. Please provide your views and suggestions on how best to design the project implementation plan to ensure the project's success. |  |
| 6. What measures do you suggest ensuring continuous dialogue between Service Providers and the MoF to ensure the system fully reflects both innovative solutions and public financial management needs? |  |
| 7. What conditions defined by the pre-qualification criteria may limit your company's willingness to participate in the tender? Do you have any comments/suggestions regarding the document? |  |
| 8. What payment conditions do you expect from the contract? |  |
| 9. Cost estimate (for the development of a similar system and annual maintenance and support) and potential timeline. |  |
| 10. Timing Estimation – for implementation of existing OR development of customized platform. Please choose your scenario and explain the selection |  |
| 11. Possible technologies and platforms that may meet the MoF requirements. |  |
| 12. Other comments. |  |

**Market Sounding Details**

This market consultation aims to inform companies interested in participating in the GFMIS project tender and to receive feedback regarding the project's technical assignment and initial conditions. The result of the preliminary market consultations is expected to finalize the pre-qualification requirements and the procurement subject's description, ensuring they align with the latest market trends and opportunities, guaranteeing fair competition among potential Service Providers, and initiating the tender process.

**Market Consultation Process**

1. **Conference:** The project will be presented during a conference on July 22, 2024, from 17:00 – 19:00 (GMT+4). The conference will be conducted in on-line format. Potential Service Providers are invited to register for the conference by July 15, 2024. To register for the conference and receive the link, please follow this link: [https://docs.google.com/forms/d/1YA4sBw1ciqJ5orUPJr0PsVuPje1-DxJintMLYZiYzIw/edit]. Please note that each representative of a potential Service Provider must register separately to participate in the conference.
2. **Feedback Template:** Potential Service Providers should send observations, suggestions, and answers using the format provided in Table 1, "Market Consultation Feedback Template," by July 29, 2024.

**Confidentiality**

This is not a pre-qualification process for forming a list of potential Service Providers. All information, views, and ideas provided by respondents will be kept confidential and will not be used for the further evaluation of the tender. Access to such information will be limited to authorized personnel. Potential Service Providers who do not respond to this invitation can submit an application for the subsequent tender, and non-participation will not affect future tender processes in any way.

We look forward to your valuable contribution and cooperation to ensure the successful preparation of this project.

**Structure of the Information Memorandum**

The attached package of documents includes the preliminary versions of the Pre-qualification requirements and a brief version of the technical description functional and technical assignments developed by the MoF, which are planned to be discussed with qualified participants of the tender and to align with global current trends and the goals of government’s financial management in Armenia.

**Brief Description of the Public Financial Management System in Armenia**

The legal and operational framework for public financial management (PFM) in Armenia is well established. The main legal basis regulating all budget processes, operations, and functions is the Law on the Budgetary System. This law differentiates between two levels of the budget: the state budget and the community budget.

The state budget includes 48 main budgetary bodies accountable to the government of the Republic of Armenia, including 12 ministries, the Prime Minister's Office, commissions, committees, and 10 regional administrations. Additionally, there are 68 subordinate bodies accountable to the main bodies (agencies, committees, foundations, and public services). Approximately 1,800 state non-commercial organizations (SNCOs), such as schools, healthcare institutions, and cultural and sports institutions, whose budgets are more than 80% funded by the state budget, are also included in the state budget. The Law on the Treasury System establishes a Single Treasury Account (STA), requiring that all funds of central government and community bodies be kept in the STA. The STA, based in the Central Bank of Armenia (CBA), ensures the implementation of all receipts and payments. The accounts of state non-commercial organizations are also linked to the STA.Fiscal rules included in the laws on public debt and the budget system impose limits on budget expenditures and mandate certain measures depending on the level of public debt.

The budget classification system aligns with the International Monetary Fund's (IMF) Government Finance Statistics Manual (GFSM) 2001 and includes economic, functional, and administrative classifications. The Law on the Budgetary System of Armenia regulates the process of annual budget approval. The draft state budget consists of the government's budget message-explanatory note and the draft law on the state budget. The annual budget process launches with the Prime Minister's decree on the start of the budget process, which sets the budget calendar and the two phases of the budget process – MTEF and annual budget. Program budgeting is implemented in Armenia. Public investment management in Armenia is in its initial stages. A threshold of 1 billion AMD is set for project evaluation, which is carried out by the Ministry of Economy, and after being included in the priority list and receiving approval from the investment committee, projects are included in the budget process. The development of the public investment management information system can be either separate or within the framework of this project.
The function of the Audit Chamber is enshrined in the Constitution, with the main audit work still focused on compliance audit, but steps are being taken to introduce performance audit. The following table presents the legal framework for public finance.

**Table: Legal Framework of Public Finance**

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| --- | --- | --- |
| **PFM Theme** | **Legal Acts** | **Brief Description** |
| **Planning**  |  **Law on Budget System, 2019 Law on Government Structure, 2018 Decision on Approving the Government's Working Procedure, N-252, 2021 Prime Minister's Decision on Developing, Submitting, and Controlling Strategic Documents N-1508, 2021**  | Establishes the legal framework for the monitoring and accountability of the main horizontal central planning documents. The legal framework for medium-term planning is established by the listed legal acts. The main planning documents of the government are the Government Program, the Government Action Plan, the annual budget, and the Medium-Term Expenditure Framework (MTEF), as well as sectoral strategies. The Planning Information System is intended to be developed separately from this project. |
| **Budgeting**  | **Law on Budgetary System, Law on the Treasury, Government Decision N 706 on approval of Budget Execution Procedures, 2018**  | The law defines the budget system of the Republic of Armenia and regulates the budgeting process. Revenue transfers to the TSA are defined by Decision 706 and are carried out on a daily basis. The Prime Minister's annual decree defines the main steps of the annual budget process, followed by the publication of methodological guidelines by the Ministry of Finance. |
| **Accounting**  | **Law on Public Sector Accounting, 2014** **Public Sector Accounting Standards (APSAS)****Order N 725 of the Ministry of Finance, 2014**  | Establishes a unified basis for organizing and maintaining accounting, preparing and presentation of financial statements of public sector organizations, and regulates other relations related to the accounting of public sector organizations. The national system corresponds to the International Public Sector Accounting Standards (IPSAS). |
| **Tax Administration**  | **Tax Code, 2016** **EAEU Customs Code, 2017 Customs Code, 2000** | The Tax Code regulates relationships related to taxes and duties, establishes the principles of the tax system, the scope of taxpayers, tax rates, the procedure, and terms for calculating and paying taxes, and collecting tax liabilities. There is an electronic tax administration system, which will need to be integrated with the GFMIS. |
| **Internal Audit**  |  **Law on Internal Audit, 2012 Order N 165-N of the Ministry of Finance, 2013** | The law defines the mandate, scope, powers, responsibilities, and accountability relationships of internal audit in central and local government bodies. The Ministry's order establishes the procedure and requirements for the creation of internal audit functions and internal audit committees. |
| **External Audit**  | **Constitution****Law on the Audit Chamber, 2018**  | Both the Constitution and the Law define the independence, mandate, and organizational structure of the Audit Chamber. |
| **Public Debt**  | **Law on Public Debt, 2008, Law on Local Self-Government Bodies, 2002**  | The Law on Public Debt defines public debt as obligations undertaken on behalf of the Republic of Armenia and the Central Bank of Armenia. Community debt acquisition is subject to approval by the Ministry of Finance. A new law on public debt has been developed. |
| **National Assembly**  | **Law on the Rules of Procedure of the National Assembly, 2016**  | The National Assembly oversees the executive branch, approves the state budget. The law establishes the rules for the implementation of the National Assembly's powers and functions. |
| **Financial Management and Control**  | **Law on Budget System, 2019****Law on the Treasury System, 2017****Law on Internal Audit, 2012** **Law on Accounting of Public Sector Organizations, 2014** **Law on Civil Service, 2018**  | A number of legal acts define the organizational structures of management, mechanisms of managerial accountability, etc. These legislative acts have been adopted over time alongside the development of individual elements of the PFM and focus on separate issues of financial management and control without the presence of unified regulations. |
| **Decentralization**  | **Constitution****Laws on Administrative and Territorial Division, 1995** **Law on Local Self-Government, 2002****Law on Budget System, 2019****Law on Local Taxes and Fees, 1998****Law on Financial Equalization, 1998 Government Decision N 1708 Approving the Procedure for Granting subventions from the State Budget to Communities, 2006** |  |
| **Procurement**  |  **Law on Procurement, 2018, Government Decision N 526, 2017**  | The law regulates the state procurement process, including the complaint mechanism. The law is supplemented by a government decision that defines the details of the procedures. The electronic procurement system is not part of this project. |
| **Public Service and Human Resources Management,**  | **Law on Public Service, 2018** | The law defines general principles for the entire public service, as well as clearly differentiates between political and professional positions. Diplomatic, customs, tax, rescue, police, penitentiary services, law enforcement officers, and judicial system employees are regulated separately from civil service. A Public Service Information System is intended to be developed separately from this project. |
| **Public Participation**  |  **Law on Normative Legal Acts, 2018,** **Prime Minister's Annual Decision on Starting Budget Processes**  | The law regulates relations related to the public discussion, impact assessment, expertise, publication, entry into force, operation, amendment, supplementation, and termination of normative legal acts, as well as the application, interpretation, and clarification of legal norms. The legal provisions for public participation in budget formation are defined by the Prime Minister's decision. |

**Contact Information**

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